

Industry Sector Analysis

Growth, Core, and Competitive-Advantage Industries



East Central Michigan

Arenac, Clare, Gladwin, Iosco, Ogemaw, and Roscommon Counties

**A Regional Profile
Prepared by:**

**Michigan Department of Labor & Economic Growth
Bureau of Labor Market Information and Strategic Initiatives**

Introduction

Information is a key to the creation of a 21st century workforce. Developing a successful regional strategy requires a clear understanding of the scope of the regional economy, as well as the ability to identify key industries or clusters of industries with real significance to the regional economy.

The Bureau of Labor Market Information & Strategic Initiatives within the Department of Labor & Economic Growth produces a substantial volume of data on local economies and regional labor markets. This profile provides information on current labor market economic indicators and key industries for the local region.

Current Labor Market Indicators and Industry Job Trends

Page 4 of the profile presents information on **Current Labor Market Indicators**. This table compares regional performance with state and national trends and includes the current jobless rate, per capita income, and the average weekly wage for private sector industries. The rate of change is calculated over the past two years for population and labor force as well as the growth rate for private industry jobs. Also provided in the table is the expected ten-year forecast growth rate for jobs in all industries. These indicators provide some of the necessary information to evaluate the overall performance of the regional economy as it compares to the state and national economy.

Industry Job Trends on Page 5 is a chart containing the two-year growth rate in employment for several major industry sectors. This allows a comparison of the pace of local job gains with Michigan, and quickly identifies local industry sectors with recent job gains or losses. **Industry Job Distribution**, a chart on Page 6, presents the percent distribution of jobs in each of the major industry sectors. This is important because the share of jobs by industry is a key determinant of overall income in a region. Large shares of jobs in high wage sectors will produce an above average income stream for a region. Additionally, these shares help demonstrate the diversity of a regional economy. The chart gives a quick identification of local industries with job shares above or below statewide averages.

Profile of Regional Industries

Various regional and national indicators were used to sort the local area's detailed industries into five distinct categories: growth, declining, core, developing, and competitive-advantage industries. A description of each element follows.

The table of **Growth Industries** presents regional industries with faster than average employment gains since 2004. The **Declining Industries** table lists regional industries with declining employment.

Core Industries identify industries with a higher share of jobs in the local economy than the same industry produces in the national economy. If a region has a greater than average share of jobs in a given industry, that industry may be a core sector because it is generating jobs above and beyond what is typically needed to support local needs. This makes a core industry important because it is often a base industry that brings income from outside the region, thus generating additional local jobs throughout other sectors. A core industry can also form the basis for a regional industry cluster, as suppliers and other support service firms locate in the region because of its presence. One should note that a core industry

does not necessarily record job growth. Although employment growth is an important variable to look at, regional strategies can be built around an industry of critical local importance, even if recent job trends have not been positive.

Developing Industries are defined as industries whose regional share of jobs is advancing faster than the average for that industry nationally. In other words, these industries locally are outpacing the nation in terms of job growth. A developing industry may represent an emerging sector with potential steady gains in regional importance.

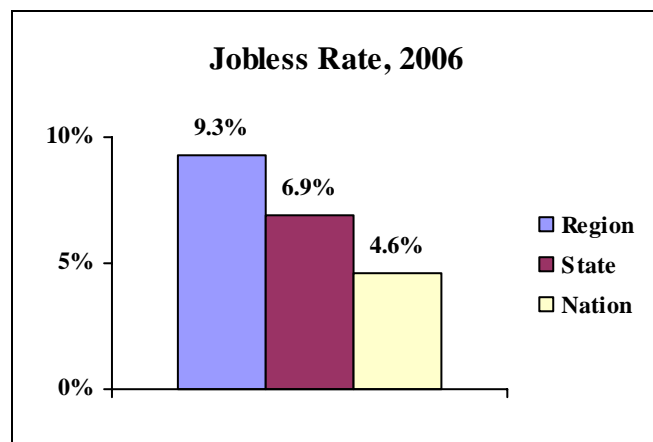
Competitive-Advantage Industries are especially attractive because they rank high in several important variables beneficial to the regional economy and its workforce. They have a high combined rank in wage, employment size, employment growth and competitive employment performance. The importance of competitive-advantage industries is clear; they represent a combination of good economic indicators; are likely to have a local employment performance above what would be expected from national trends, supply some jobs with positive wages, provide a reasonably high number of jobs locally, and may have a good growth trend.

For further information on the East Central Region, please contact:

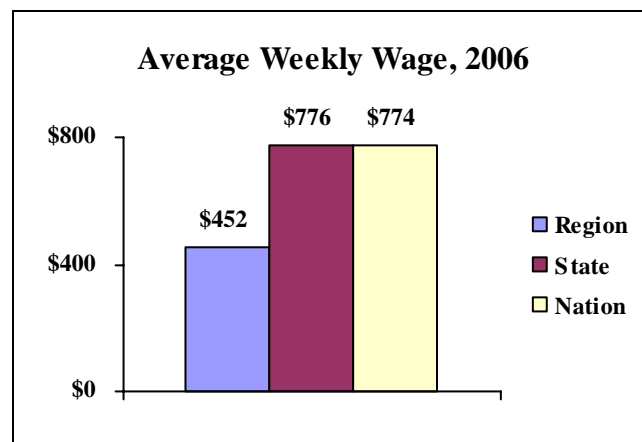
Jason Palmer
Telephone (989) 776-1508
E-mail palmerj2@michigan.gov

CURRENT LABOR MARKET INDICATORS

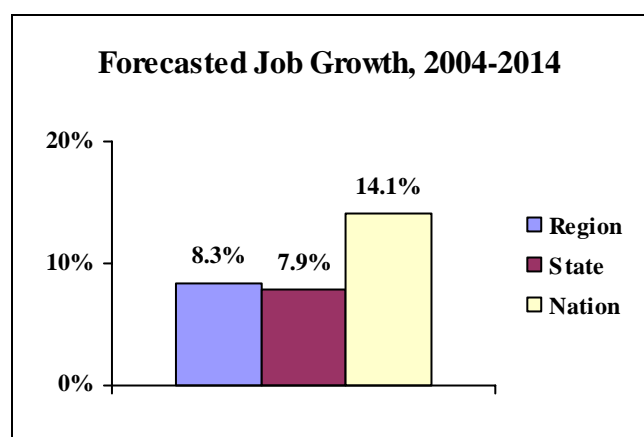
	Change (2004 to 2006)			Jobless Rate (2006)	Weekly Wage (2006)	Per Capita Income (2004)	Forecast Job Growth (2004-2014)
	Population	Labor Force	Industry Jobs				
Region	-0.6%	+1.3%	-2.0%	9.3%	\$452	\$21,973	+8.3%
State	0.0%	+0.6%	-1.2%	6.9%	\$776	\$32,079	+7.9%
Nation	+2.0%	+2.7%	+4.0%	4.6%	\$774	\$33,050	+14.1%



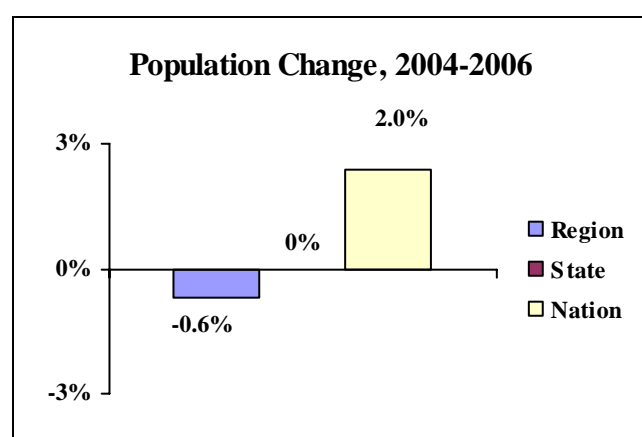
The region's jobless rate was higher than the national average. Contributing to this higher rate was continued job loss in *Construction*, *Manufacturing*, and *Retail*; these industries represent a large share of the region's private industry jobs.



Average weekly wages were significantly lower in the region when compared to the state and nation. This is due – in part – to a high concentration of regional jobs in lower-paying, tourism related sectors including *Retail Trade* and *Accommodation*.

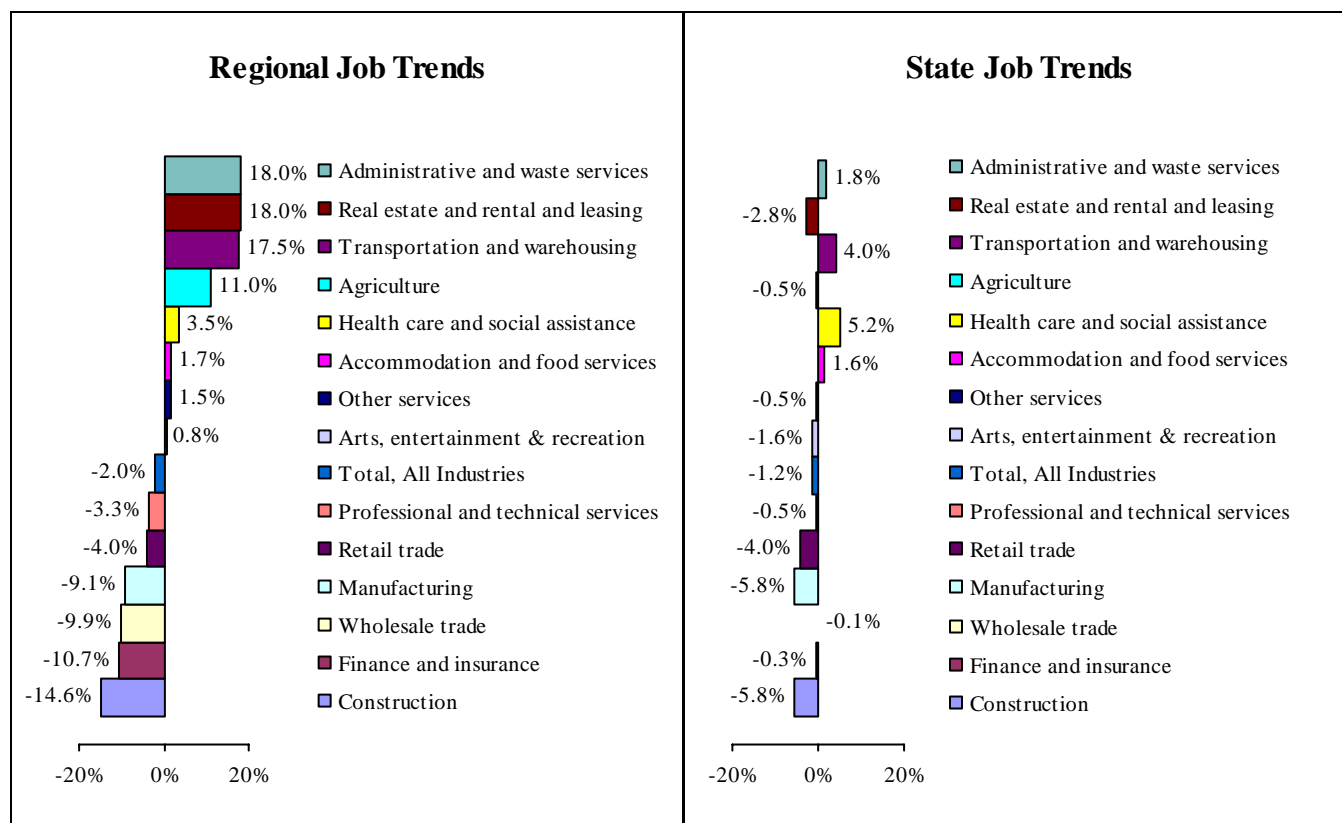


Between 2004 and 2014, regional job expansion is expected to reach 8.3 percent, slightly outpacing the state average. Job growth is forecast to be concentrated in *Ambulatory Health Care*, *Administrative Services*, *Professional and Scientific Services* and *Amusement, Gambling and Recreation*.

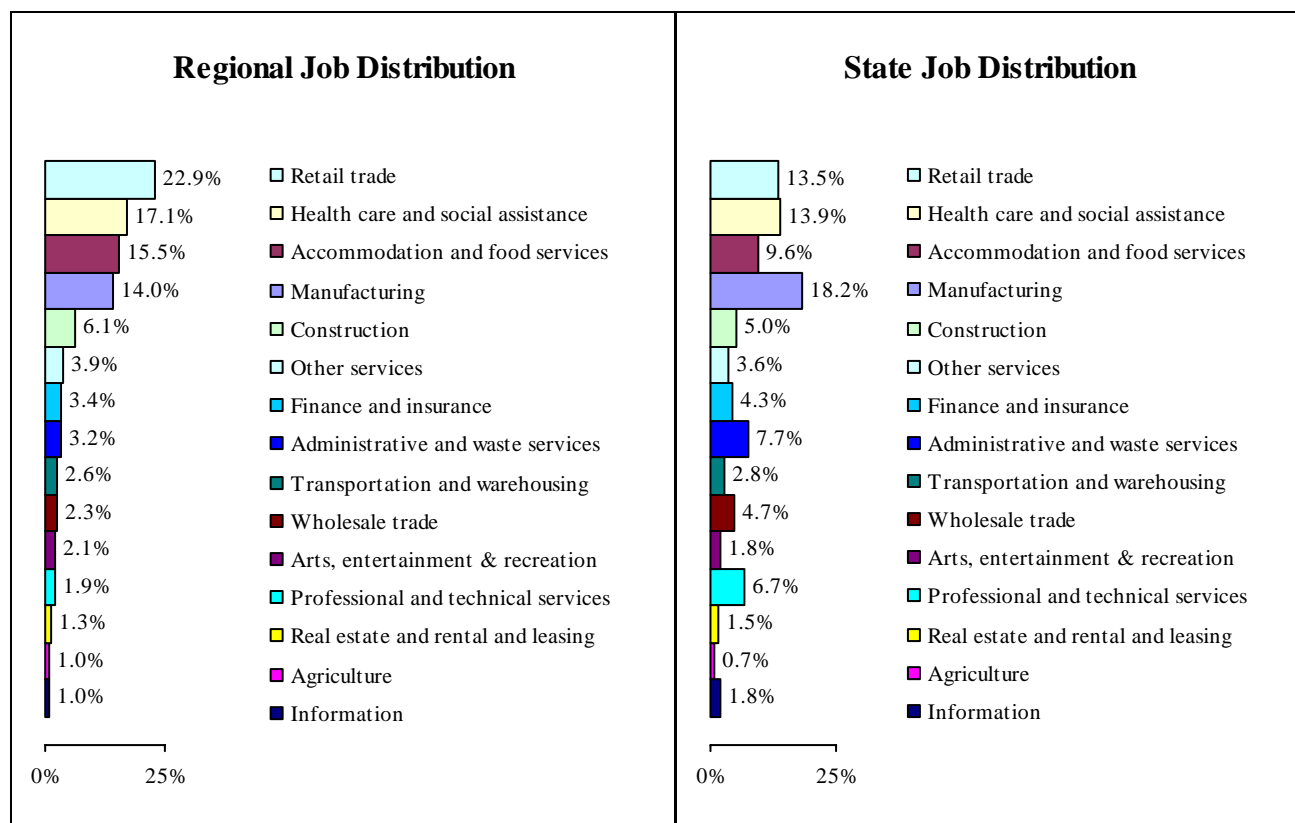


Between 2004 and 2006, the East Central Region experienced population decline. Iosco County led the region in population increases resulting from migration, perhaps reflecting retirement age individuals moving into the county. Regionally, gains from migration were more than offset by a natural population decline as deaths exceeded births.

INDUSTRY JOB TRENDS (2004 –2006)



- Between 2004 and 2006, private payroll jobs declined by 625 or 2.0 percent. A large number of jobs were lost in *Manufacturing* (-425 jobs), *Construction* (-325), and *Retail Trade* (-300). Other declines were reported in *Finance and Insurance*, *Wholesale Trade*, and *Professional and Technical Services*.
- Among industries with the largest growth rates over the period were *Administrative and Waste Services*, *Real Estate*, and *Transportation and Warehousing*. Industries adding the most new jobs included *Health Care and Social Assistance* (+175) and *Administrative and Waste Services* (+150).
- Statewide trends were similar to those seen in the East Central Region. In Michigan, job loss was recorded at 42,700 or -1.2 percent between 2004 and 2006. The largest decline was seen in *Manufacturing*, which lost 40,900 jobs or 5.8 percent. *Construction* and *Retail Trade* also posted large declines over the period.
- Job growth was seen in several industries statewide. The largest growth rate was in *Health Care and Social Assistance*, which grew by 5.2 percent over the period. Industries adding a large number of new jobs included *Accommodation and Food Service* (+5,400), *Administrative and Waste Services* (+4,800), and *Transportation and Warehousing* (+4,000).

INDUSTRY JOB DISTRIBUTION (2ND QUARTER 2006)

- In the regional economy, seventy percent of private employment is concentrated in four industries: *Retail Trade*, *Health Care and Social Assistance*, *Accommodation and Food Services*, and *Manufacturing*.
- The region's industrial mix is representative of an economy that is heavily reliant on tourism and is facing an increasing need to provide health care services to an aging population. This is reflected by the three largest industries in the East Central Region, which are associated with these activities.
- While the region has a smaller distribution of jobs in the *Manufacturing* sector than the state, the area still shows a dependence on the industry. *Manufacturing* is the fourth-largest regional industry and provides 8,500 jobs.
- Compared to the region, the statewide economy has a higher share of jobs concentrated in the knowledge sectors of *Professional and Technical Services* and *Financial Activities*. These are two service sectors that are commonly associated with the "emerging" or "new" economy.
- The regional economy has less job representation in the *Administrative and Waste Service* industry than seen statewide. This suggests local businesses presently have less demand for *Employment Placement* and *Temporary Help Services*, which are the primary sources of jobs in this industry.

PROFILE OF REGIONAL INDUSTRIES

Growth Industries (Regional industries with faster than average employment growth)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Support Activities for Transportation	204	\$574	100.0%	-14.6%
General Merchandise Stores	1,392	\$333	26.0%	18.5%
Administrative and Support Services	866	\$443	21.6%	5.9%
Real Estate	204	\$352	18.9%	-0.8%
Accommodation	724	\$312	18.6%	18.4%
Ambulatory Health Care Services	1,928	\$513	8.4%	6.0%
Gasoline Stations	845	\$218	8.0%	1.1%
Social Assistance	371	\$213	5.5%	-2.4%
Building Material & Garden Supply Stores	840	\$406	5.3%	9.7%
Chemical Manufacturing	P	P	P	P

Declining Industries (Regional industries with declining employment)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Food and Beverage Stores	1,073	\$305	-27.1%	7.4%
Transportation Equipment Manufacturing	1,207	\$623	-22.9%	33.4%
Construction of Buildings	586	\$484	-21.0%	5.5%
Nonstore Retailers	415	\$645	-18.8%	13.0%
Miscellaneous Manufacturing	395	\$629	-17.9%	-6.6%
Specialty Trade Contractors	1,097	\$526	-12.1%	5.0%
Credit Intermediation & Related Activities	784	\$497	-11.1%	0.2%
Truck Transportation	354	\$617	-10.8%	3.0%
Machinery Manufacturing	1,036	\$821	-8.5%	9.2%
Motor Vehicle and Parts Dealers	933	\$572	-6.8%	-0.5%

Core Industries (Region has a higher share of jobs in this industry than nationally)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Nonstore Retailers	415	\$645	-18.8%	13.0%
Gasoline Stations	845	\$218	8.0%	1.1%
Machinery Manufacturing	1,036	\$821	-8.5%	9.2%
Transportation Equipment Manufacturing	1,207	\$623	-22.9%	33.4%
Building Material and Garden Supply Stores	840	\$406	5.3%	9.7%
Miscellaneous Manufacturing	395	\$629	-17.9%	-6.6%
Nursing and Residential Care Facilities	1,525	\$400	-1.2%	4.1%
Motor Vehicle and Parts Dealers	933	\$572	-6.8%	-0.5%
General Merchandise Store	1,392	\$333	26.0%	18.5%
Food Service & Drinking Places	4,010	\$165	-0.8%	1.7%

Developing Industries (Region's share of jobs advancing faster than national average)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Support Activities for Transportation	204	\$574	100.0%	-14.6%
Gasoline Stations	845	\$218	8.0%	1.1%
General Merchandise Stores	1,392	\$333	26.0%	18.5%
Accommodation	724	\$312	18.6%	18.4%
Membership Associations and Organization	508	\$240	13.9%	-2.3%
Rental and Leasing Services	184	\$304	16.9%	-18.0%
Ambulatory Health Care Services	1,928	\$484	8.4%	6.0%
Real Estate	204	\$352	18.9%	-0.8%
Amusement, Gambling, and Recreation	609	\$238	0.8%	10.7%
Social Assistance	371	\$213	5.5%	-2.4%

Competitive-Advantage Industries (Regional industries with a favorable combination of wage, employment change, and competitive employment performance vs. national trends)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Administrative and Support Services	866	\$443	21.6%	5.9%
Ambulatory Health Care Services	1,928	\$513	8.4%	6.0%
General Merchandise Stores	1,392	\$333	26.0%	18.5%
Chemical Manufacturing	P	P	P	P
Support Activities for Transportation	204	\$574	100.0%	-14.6%
Accommodation	724	\$312	18.6%	18.4%
Hospitals	1,402	\$679	1.7%	3.2%
Rental and Leasing Services	184	\$304	16.9%	-18.0%
Building Material and Garden Supply Stores	840	\$406	5.3%	9.7%

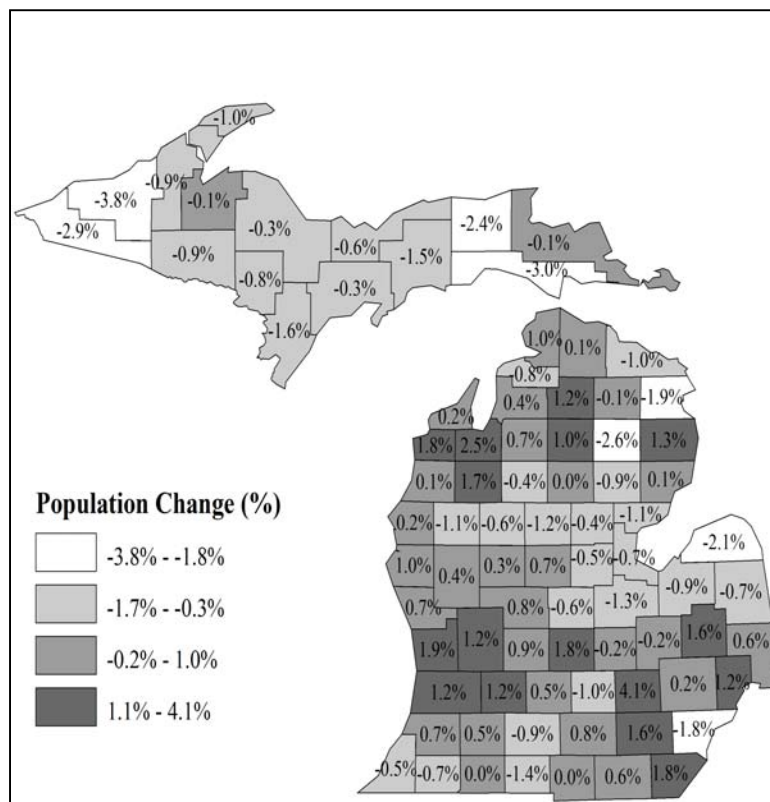
- Many regional growth industries are concentrated in the service providing sector, and center on providing services to new and existing residents as well as those visiting area counties for recreational purposes. While these industries experienced impressive growth, it is important to note that the average weekly wage for growth industries was \$390, considerably lower than the regional average.
- Not all regional growth industries have below average pay. *Chemical Manufacturing* and *Support Activities for Transportation* posted above-average earnings in 2006. *Ambulatory Health Care Services* and *Administrative Services* reported near average wages.
- The industries showing the most declines included *Food and Beverage Stores* and *Transportation Equipment Manufacturing*. Several area grocery stores – and others – were forced out of business by the increased sales of grocery items at big-box *General Merchandise* retailers. The decline in *Transportation Equipment Manufacturing* resulted from layoffs at area auto-related suppliers.
- Eight of the region's core industries are either manufacturing or retail related; this further demonstrates the importance of these sectors to the East Central Region. It is important to note that each of the manufacturing-related core industries have shed jobs between 2004 and 2006 while two of the retail related industries have lost jobs over the same period.
- Tourism related sectors dominate the region's developing industries list: *General Merchandise Stores*, *Accommodation*, *Rental and Leasing Services*, and *Amusement and Recreation* have all shown varying rates of positive job growth, but continue to post below average earnings.

East Central Region

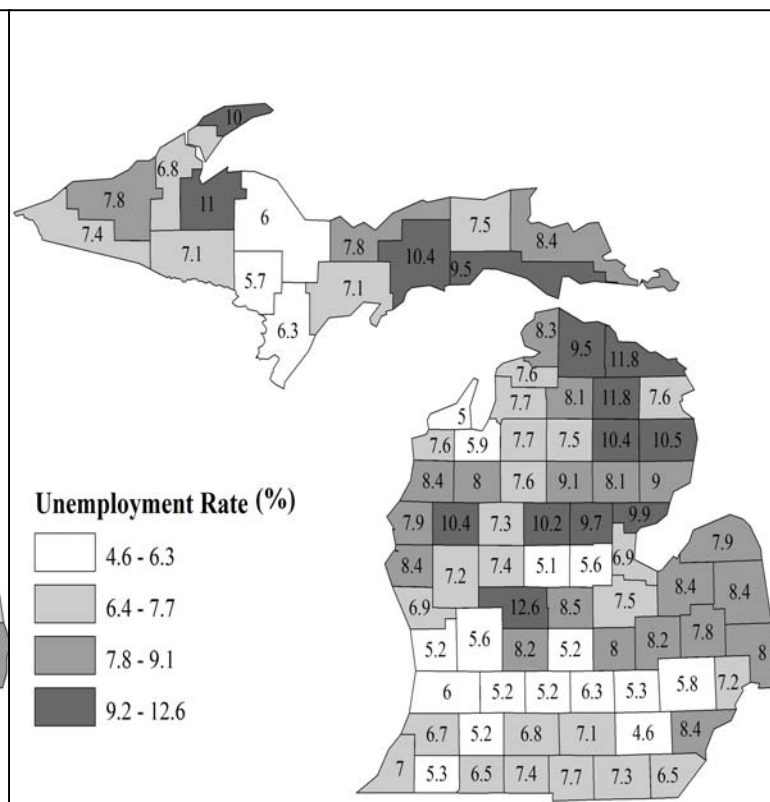
- The leisure and hospitality industries continue to develop due to the region's abundance of scenic coastal destinations and rural vacation facilities. As the East Central Michigan region becomes an increasingly popular destination, these industries will continue to develop. Area *Gasoline Station* employment gains may also partially benefit from increased tourism activity.
- East Central Michigan has a solid mix of competitive advantage industries. These industries range from sectors involved in delivering health care services for an aging population to retail and leisure related sectors providing services to area residents and visitors.
- The *Chemical Manufacturing* industry holds a competitive advantage due in part to the East Central region's proximity to both major chemical manufacturers and automobile parts manufacturers. The presence near this region of an established and prominent chemical industry provides business opportunities for smaller firms in this sector, and the region's many automotive suppliers also represent potential customers.
- Between 2004 and 2006, the *Support Activities for Transportation* industry has become a competitive industry as many new and well-paying jobs were created at area firms on the former Wurtsmith Air Force Base. This industry alone **does not** capture all job activity associated with the former base, as other jobs were created in other sectors on the site.

APPENDIX I: MAPPING ECONOMIC TRENDS

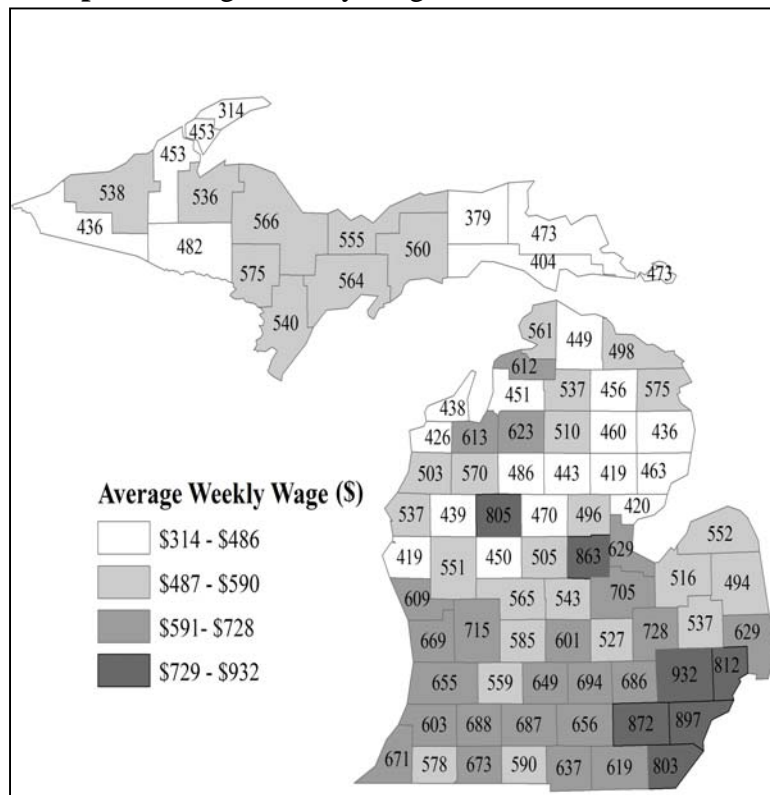
Map 1: Change in Population, 2004-2006



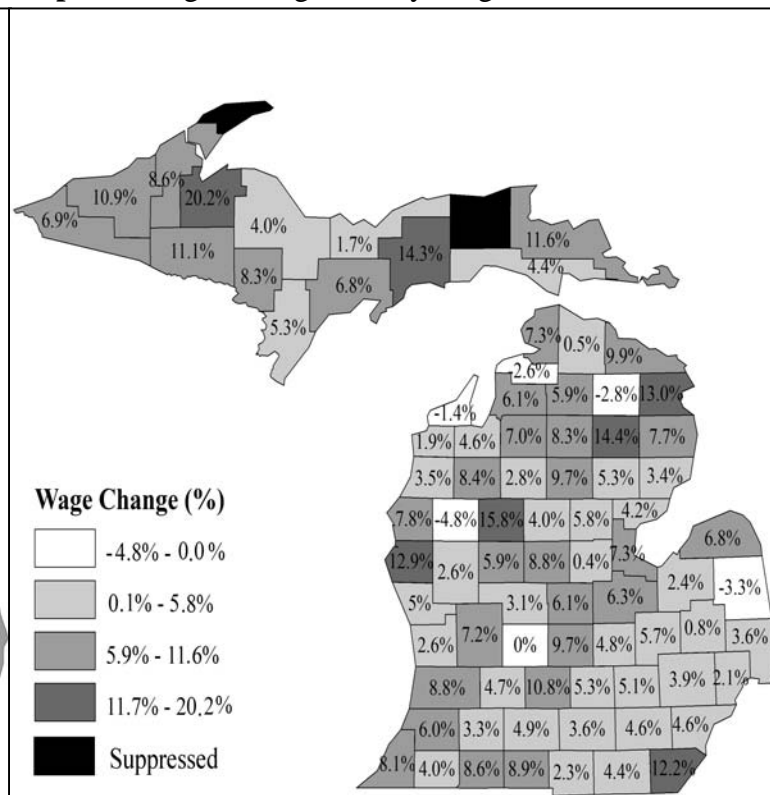
Map 2: Unemployment Rate, Average 2006



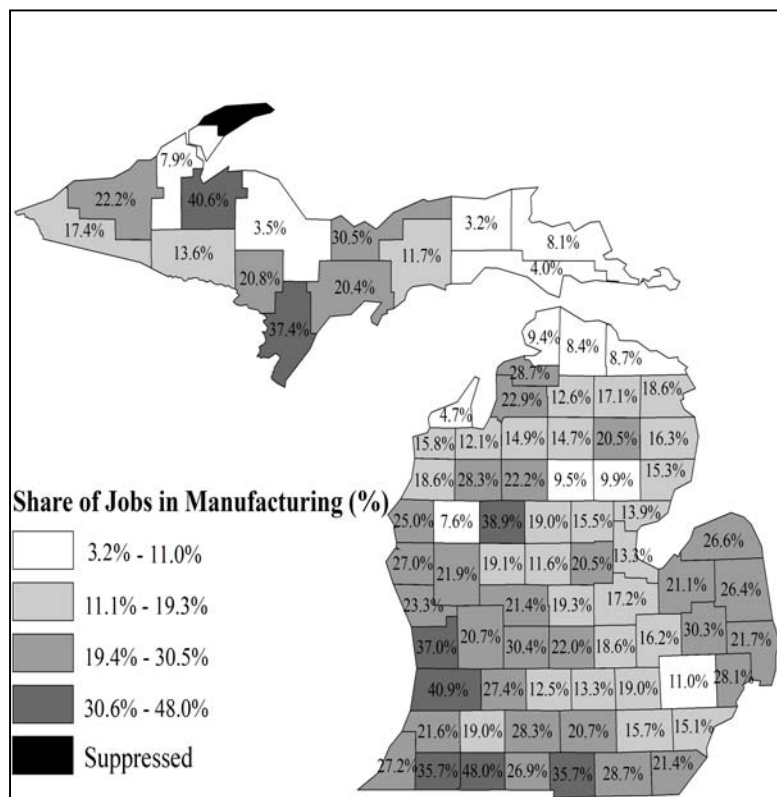
Map 3: Average Weekly Wage, 2006



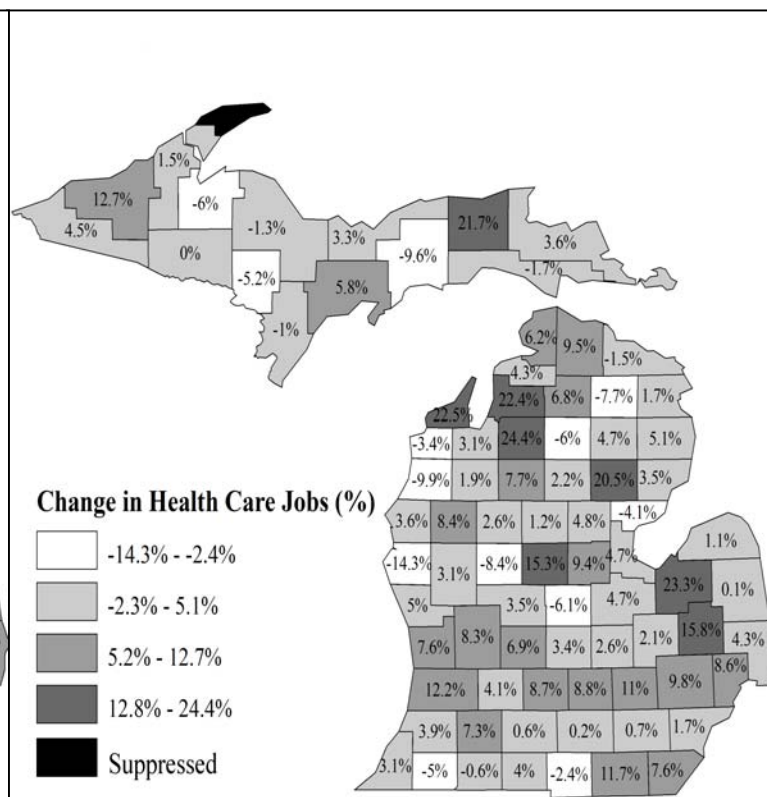
Map 4: Change in Avg. Weekly Wage, 2004-2006



Map 5: Percentage of Total Private Jobs in the Manufacturing Sector, 2006



Map 6: Change in Private Health Care & Social Assistance Sector Jobs, 2004 to 2006



Map Created by:
Michigan Department of Labor & Economic Growth
Bureau of Labor Market Information and Strategic Initiatives

